HOW HAVE CORPORATE INDUSTRIAL FOOD SYSTEMS BEEN ENTRENCHED INTO THE ARAB REGION?

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ABSTRACT

This report examines the roots of the corporate food system in the Arab region. It looks at the political and economic means in which agribusiness capital entered into the region. Looking at cases in Egypt, Morocco, and Lebanon it illustrates how investment in the corporate agribusiness food system has relied on close relations between the region's elites, links that are manifest in informal ties and institutional arrangements such as investment funds. The agribusiness industry in the Arab region is constituted by three main capitals; Gulf, Western multinationals and local companies. These firms are entwined through joint ventures and partnerships, a feature that illustrates the manner in which agribusiness food in the region forms a system. This enables monopoly control over segments of the agribusiness market, a feature which gives them considerable power over consumers and suppliers.

1. How have corporate industrial food systems been entrenched into the Arab region?

Rapid expansion with government support

In recent decades the corporate industrial food system has expanded rapidly in the Arab region. This can be observed in the increasing levels of agricultural exports from Arab countries, the growth of foreign investment in the sector and the rising profits that have been generated by the industry.

For example, in Morocco agribusiness exports doubled between 2010-2020 and now account for around 21% of the country's total exports.[1] Between 2003-2017, Egypt's agribusiness sector received the second largest amount of foreign direct investment into agriculture in Africa after Nigeria, a figure that amounted to US $2.91 billion.[2]

This sector has been given preferential treatment by the region's governments who consider that agribusiness offers a means to earn hard currency and create employment. Moreover agribusiness food production is also considered as a means to ensure food security and ensure a safe and hygienic source of food. In contrast the smallholder sector in the region has received less state support, and subsidies and other forms of support have been withdrawn.

This transformation has far reaching implications for the Arab region's agrarian economies, sectors that account for more than 30% of employment in countries such as Egypt and Morocco.

1 *Castlereagh Associates* (2020) "Green Morocco: Opportunities in agriculture"

2 Husmann, C. and Kubik, Z. (2019) "Foreign direct investment in the African food and agriculture sector: trends, determinants and impacts" *PARI*

However, the growth of the agribusiness industry in the Arab region has done little to improve food security, the levels of which remain high. This problem manifests itself in substantial levels of malnutrition across the region, which between 2017-2019 was estimated to be 12.2%.[3] This issue is partly caused by the rapid increase in food prices, and the Food and Agriculture Organisation estimates that food prices rose by 40% between 2020-2021.[4]

An additional question is the ecological sustainability of the agribusiness sector, given the prospect of declining water resources and the loss of biodiversity. Water resources in most Arab countries are severely stressed and climate change may result in a fall in rainfall and additional competition for river water.

This paper's focus: Strong links between business and state officials in three countries - Egypt, Morocco, Lebanon

With these issues in mind this paper examines how the corporate industrial food system entered the Arab region. It will focus on the political economy of this process and the *links between business and state officials*. These relations form opaque networks that are highly influential in determining the agriculture policy of these states; they are manifest in *personal ties and business relations*. This stakeholder analysis will also illustrate the manner that the agribusiness food system comprises a small number of powerful companies that hold sway across the value chain, from the farm gate to supermarket shelves. *This complex of capital and state officials enables powerful monopolies that engage in price fixing and avoid government regulation.*

The study will focus on corporate food systems across the Arab region. Often these companies are European or based in the Gulf states and they share joint

3 FAO (2020) *Near East and North Africa Regional Overview of Food Security and Nutrition 2020.*

4 *rance 24.* (2021) "Rising Food Prices Deepen the Woes of World's Poorest,"

ventures and relationships with smaller companies. The study will examine the *case studies of Egypt, Morocco and Lebanon*. These countries have been selected on the basis that Egypt and Morocco have large agrarian sectors and Lebanon is a country that is currently undergoing an economic crisis, which provides an insight into the risks of import dependence and the neglect of smallholder farmers.

2. The growth of the corporate system

What is the recent history of the corporate food system in the region?

The agrarian economies of the Arab region share a number of similarities in terms of their transformation to export-led agribusiness systems.[5] *Typically Arab economies with a substantial agricultural base tended to be characterised by a period of state-led growth in the post-independence period*. This was a phase in which Arab governments concentrated on import substitution industrialisation; policies which tended to *focus on urban-based production at the expense of agriculture and rural areas*.

One aspect of this feature was *the increasing reliance on food imports*, as governments failed to invest in their agricultural sectors in favour of cheap grain imports from the US and USSR. This further undermined the domestic agriculture sector, which could not compete with foreign commodities. This led to the creation of the so-called "Arab food gap", a state of structural food import dependency, which has remained in place.[6] Between 1961 and 1991, all Arab countries increased their imports of grain, with the exception of Saudi Arabia and the UAE.[7] The largest increase was in Jordan and Yemen, and the

5 The exceptions are the Gulf countries, whose arid environments and oil dependency resulted in a different pattern of agricultural development that is not discussed in this paper.

6 Cammett, M. et al (2015). *A Political Economy of the Middle East*

7 Wilson, J. P. "Food Security in the Middle East since 1961." In *Options Méditerranéennes. Série A : Séminaires Méditerranéens* (CIHEAM). CIHEAM-IAMB, 2005.

latter increased its imports by almost 50%.[8]

This reliance on food imports is a significant characteristic of the regional agrarian system. The development of a corporate agribusiness system within the region has taken place at the same time as this structural reliance.

Since the 1980s the corporate agribusiness system in the Arab region has grown in size, both in terms of market share and access to resources. One of the main reasons for the expansion of this presence has been the adoption of free market reforms.

These had both external and internal dynamics. Externally these reforms were manifest in the structural adjustment programmes that were imposed as a result of debt crises across the region in the late 1980s. *In return for bail out loans the International Monetary Fund demanded economic policies that were in line with the Washington Consensus.*[9] Arab states that were subject to these programmes of reforms were Algeria, Morocco, Tunisia, Egypt, Jordan and Yemen.

In the agrarian sector these reforms resulted in the retreat of state support for small farmers, rent controls for tenant farmers were removed, price controls and subsidies were lifted. These policies also resulted in privatisations of state food companies, and foreign capital was often the beneficiary of these sell-offs.

Egypt

This process was particularly evident in Egypt and one of the biggest acts of free market reform was the passing of Law 96 in 1992, which abolished the rights

8 Ibid

9 The Washington Consensus refers to neoliberal policies that were applied by institutions such as the IMF and World Bank.

of tenant farmers to remain on their land at a fixed rent.[10] Following the end of the transitional period in 1997, rents increased by as much as 300-400%, and hundreds of thousands of people were evicted from the land.[11] The end of the state's protection of small farmers further weakened a fragile existence. It was estimated that as many as one million farmers were displaced from their land as a result of the law and 700,000 people lost their jobs.[12]

Free market reform resulted in the sell-off of state-owned food companies in the 1990s.[13] This was a substantial transformation and 11 of the 22 companies sold to the public as minority and majority stakes were in the food and agriculture sector.[14] These companies ranged from providers of inputs such as pesticides to flour mills and beverage companies. This sell-off contributed to the process of privatisation of the agrarian economy in Egypt and many of these companies and their assets were eventually acquired by foreign investors and well-connected local businesspeople.

Morocco

In Morocco structural adjustment took place earlier than in Egypt, and the kingdom went into a structural adjustment programme after an agreement with the IMF in 1983.

10 Saad, R. (2002) "Egyptian Political and the Tenancy Law" in Bush, R. *Counter-Revolution In Egypt's Countryside: Land and Farmers in the Era of Economic Reform*

11 Bush, R. (2007) "Politics, power and poverty: twenty years of agricultural reform and market liberalisation in Egypt" *Third World Quarterly*

12 Mitchell, T. (2002) *Rule of Experts: Egypt, techno politics, modernity.*

13 Dixon, M. (2014) "The land grab, finance capital, and food regime restructuring: the case of Egypt" *Review of African Political Economy*

14 Amcham Egypt. (1997). *Privatization in Egypt: An update*. The American Chamber of Commerce in Egypt Business Studies and Analysis Center. Cairo.

In a similar fashion to Egypt these reforms resulted in the expansion of market access and retreat of the state from parts of the economy. Growth in exports was encouraged and a number of state owned assets were privatised. These reforms contributed to the historical trend of privatising collectively owned land, a status that defines around 20% of the country's agrarian area (Davis, 2006: 94).[15]

The liberalization of the economy resulted in the loss of agricultural land to real estate, phosphate mining and the acquisition of agricultural land by investors.[16] This is an ongoing process and in 2008 the government launched Plan Maroc Vert (Green Morocco Plan), which was a plan to bolster export agribusiness. The scheme led to the further concentration of land ownership and the allocation of water resources to agribusiness. The government has explicitly stated that the Plan Maroc Vert is part of an intention to "break away from the traditional paradigm which opposes a modern sector and a social one".[17]

Lebanon

The history of agricultural reform in Lebanon is distinct from Egypt and Morocco and most other Arab economies. Unlike other countries in the region it did not go through a period of state-led growth and between independence and the civil war it was a laissez faire economy that was dominated by trade, banking and tourism.

The country's agriculture sector has been a significant source of employment but the smallholder sector has largely been neglected by the government. Partly as a result of the focus on trade and banking at the expense of industrialisation, the country was always import dependent. This was evident in the pre-war period,

15 Davis, D. (2006). "Neoliberalism, Environmentalism, and Agricultural Restructuring in Morocco." *The Geographical Journal*, 172(2), 88-105.

16 Houdret, A. and Amichi, H. (2020) "The rural social contract in Morocco and Algeria: reshaping through economic liberalisation and new rules and practices" *The Journal of North African Studies*

17 Ibid

and the country's production of cereal declined and its import of meat and dairy products was substantial. At the same time export agribusiness became established and Arab markets became substantial buyers of Lebanese fruit. For example, between 1955-1971 the production of apples increased by 700%.[18]

Another distinct characteristic of Lebanon's agrarian sector was the manner in which it has been compromised by the decades of conflict that has taken place in the country. This has been felt most acutely in the South of the country, in which decades of Israeli occupation denied access of villagers to their land. Elsewhere in the country the civil war also disrupted agricultural activity due to conflict, dispossession and unexploded ordnance. In the post-war period the country has continued to be import dependent, a reliance that has recently caused problems as a result of the collapse of the value of the Lebanese Lira.

With all of this considered the development of the corporate food system in the Arab region can broadly be summarised by the following table:

Timeline	Policy	Consequence
1940s-1970s	• State-led industrialisation • Increasing reliance on imports	• Agriculture was largely neglected and undeveloped • Domestic agriculture could not compete with imports
1980s-1990s	• Structural adjustment programmes were implemented • Privatisations of state-owned food companies • Removal of rent controls	• State support for smallholder agriculture was cut • Privatised companies were bought by agribusiness companies • Concentration of land ownership
2000s	• Increasing emphasis on agribusiness and imports as source of food commodities	• High levels of food price inflation

18 Nasr, S. "Backdrop to Civil War: The Crisis of Lebanese Capitalism." *MERIP Reports*, no. 73 (1978): 3–13.

3. The main stakeholders

As a result of the liberalisation policies that were described in the previous section, the Arab corporate food system is controlled by a small group of agribusiness companies. These firms are controlled by three types of capital that are interlinked through joint ventures and other relations: Gulf capital, Western multinationals and domestic companies. The following lists some of the largest of these companies in these categories.

Gulf capital

Over the last two decades agribusiness companies from the Gulf states have grown rapidly. The surplus capital that has been accumulated as a result of oil revenues has been invested in large conglomerates that have grown in size, and they now have significant investments across the corporate food value chain. These companies control land, agro-processing, restaurants and supermarkets. As will be discussed in the next section these companies are dependent on governmental relations in the markets that they invest in. This allows them to manage bureaucratic hurdles and ensure access to resources.

Unsurprisingly the main markets for Gulf companies are the Gulf Cooperation Council (GCC) states, in which the high levels of GDP per capita make lucrative markets for food commodities. Other markets in which Gulf companies have large market shares are Egypt, Jordan and Lebanon. Outside of the Arab region, Gulf agribusiness companies also have assets in Central Asia and Africa. In one unusual case a Saudi company owns a controlling share in an agribusiness company in Iran.

Given their financial resources and market access Gulf companies have played a significant role in the creation of a corporate food system, particularly in

countries such as Egypt where these investors control substantial parts of the value chain. In addition to direct investments and joint ventures with local and Western companies, Gulf capital has also entered into regional markets through financial institutions. *As a result, outward investment from the GCC economies has contributed to the growing control of agriculture by financial markets in the region.*

Savola

Savola is one of the largest agribusiness companies in the region, and it has a market capitalisation of US $5.7 billion. The company is based in Saudi Arabia and has activities across the region. It has fully vertically integrated its production and its brands cooking oil, sugar and pasta. It owns industrial plants in Egypt and Iran, and a chain of supermarkets. Savola's sugar subsidiary United Sugar Company (USC) has a refinery in Egypt, which it acquired from Tate and Lyle in 2010. The company has acquired farm land in Egypt, Sudan and the US. It has activities in a number of different markets and its revenues streams are internationalised. In 2014, the company's oil and sugar assets in Egypt accounted for $930 million of revenue, around a seventh of its total annual revenues.[19]

Its monopoly position is evident in the manner that it controls the market for certain commodities across the region. In Saudi Arabia it claims to control 70% of the market for sugar in Saudi Arabia.[20] In Egypt Savola subsidiary Afia International is estimated to have a 29% share of the cooking market.[21] It has 60% of the Egyptian market.[22] It has 90% of the market for cooking oil in Iran.[23]

19 Savola, (2014). "Annual Report 2014."

20 *Savola*, (2015). "Savola."

21 *Euromonitor*. (2015). "Oils and Fats in Egypt"

22 *Savola*, (2013). "Annual Report 2013."

23 Paul, K., and C. Aswad. (2016). 'Saudi's Savola says to stay in Iran despite diplomatic rift' *Reuters*

Al Marai

Al Marai is a large dairy company partly owned by Savola based in Saudi Arabia. It has a market capitalisation of around US $14.4 billion.[24] (Ovaska and Fitch 2015). Outside of the Gulf Cooperation Council states its markets include Egypt and Jordan. Al Marai owns farmland in Egypt, US and Argentina. As an example of the manner that the agribusiness system within the Gulf states intersects with different companies in the form of joint ventures, Al Marai and Pepscio are both owners of Beyti, a company in Egypt.

In terms of market share, Al Marai has large access in several markets. In Saudi Arabia the company has a market share of frozen poultry that is more than 30%.[25] In GCC markets it has the largest market share of cheese. The company has previously stated that it intends to take 50% of market share of dairy in Egypt.[26]

Americana

Americana is originally a Kuwaiti company that has introduced a number of Western fast food and processed food brands to the Arab region. Americana has acquired the rights to numerous Western fast food brands and it owns the regional franchise of Kentucky Fried Chicken, Pizza Hut, and Krispy Kreme. The company has operations in 20 countries in MENA and is valued by US $4 billion.[27]

In terms of market share the company has 41% control of the market for fast food in Saudi Arabia. In Egypt a Americana subsidiary controls 90% of the market for frozen chips (Americana, 2012).[28]

24 Ovaska M., Fitch A. (2015 June 12). "Saudi Arabia's Stock Market Opens." *Wall Street Journal*.

25 *Argaam*. (2014). "National Agricultural Development Company." Argaam.

26 *Reuters* (2009). "Saudi Almarai wants half of Egypt dairy market-report.

27 Nair et al. "Americana Said Valued at $4 Billion in Alabbar-Led Takeover." *Bloomberg*.

28 *Americana*. (2012). Annual Report 2012.

Majid Al-Futtaim

Majid Al-Futtaim owns the regional franchise for Carrefour, one of the largest supermarket chains in the region. Carrefour is present across the region including in Morocco, Egypt, the GCC states and elsewhere.

Western multinationals

Western agribusiness companies have established a presence across the region. *Their presence differs to that of Gulf companies on the basis that agribusiness multinationals consider the region as one location for their global portfolio and therefore they have less geographical focus and expertise*. As a result of their colonial ties, French companies are particularly active in the North African countries of Tunisia, Algeria and Morocco. Included in this category are Turkish companies, who have established a presence in Iraq, Egypt, Syria, and Lebanon. In addition to direct investment, Western agribusiness multinationals also benefit from the region's corporate food system on the basis that they retain control of the technology, crop strains, and breeds that are intrinsic to the corporate food regime. In this sense, the development of agribusiness in Arab states has resulted in market growth for these multinationals.

Danone

Danone is a French dairy multinational with a significant presence in the Middle East and North Africa including in Morocco, Algeria, Tunisia, Egypt and Saudi Arabia. In total Danone's sales in the region are more than EUR 1 billion. In Tunisia the company has a joint partnership with Delice, a local company and they have a market share of 50% for milk and 70% for yogurt.[29] In Egypt Danone's milk products have a market share of around 30%.

29 Soethoudt et al. (2018). Dairy value chain analysis in Tunisia. *Wageningen Research*

Ulker

Ulker is a Turkish food conglomerate with activities across the Middle East and North Africa. In Egypt it is the third largest biscuit retailer in terms of market share.[30] It also has considerable market share in Algeria and Saudi Arabia.

Nestle

Nestle has a substantial presence in the MENA region with annual sales of around $2.4 billion a year. The company is active in Lebanon, Jordan, Iraq and the GCC states. In the region it has a number of assets in the bottled water market. Its bottled water subsidiary in Lebanon has a 35% market share.[31]

Local companies

Juhayna

Juhayna is a company that has a controlling share of the Egyptian milk market with an estimated 70% hold on the corporate dairy sector. In 2015 Juhayna entered into a joint venture with Danish dairy company Arla. As evidence of the importance of political relations for the operations of agribusiness companies, the chairman of Juhayna is currently in prison due to accusations that he was involved with financing the Muslim Brotherhood. However there is evidence that this charge stems from an attempt by elements connected to the Egyptian military to expropriate the company.[32]

30 Nieburg, O. (2017) "Ülker plots geographic expansion with new parent pladis" *Confectionary News*

31 *Al Bawaba* (2001) "Nestle completes acquisition of Sohat"

32 England, A. (2021) "How Cairo cracked down on one of Egypt's leading businessmen" *Financial Times*

Monopoly power

These companies have monopoly power in the Arab region. Their control of large market shares grants them huge control in the corporate market. This creates two strategic advantages. Firstly there is evidence that they engage with price fixing, particularly in segments such as dairy. One source in Egypt who works in the dairy sector said: "It's a cartel. They sit down and agree on prices because they don't want to hurt each other."[33] With this considered the argument that the agribusiness sector can provide affordable food, an idea that is often used by regional governments in order to justify support for corporate food, is questionable.

Secondly, this market control gives them considerable power over the value chain. Many of these companies rely on a process of vertical integration, a process in which they control the supply chain, from the farm to the supermarket. In addition to this strategy they also use a process of vertical disintegration, the purchase of supplies from smaller producers. *The monopoly control of these companies gives them considerable power in their dealings with smaller producers.* It allows them to lower prices. By example, in 2011 the Egyptian Milk Producers Association (EMPA) accused Juhayna, Beyti and the Nile Company for Food Industries of using their monopolistic position to underpay their suppliers.[34] It also allows these companies to impose other conditions on their suppliers such as delayed payment terms of 3-6 months, an arrangement that basically means that these suppliers are lending money to the large firms at the top of the value chain.

With this in mind, this monopoly control creates a market in which power largely lies with the agribusiness companies and consumer power is less than it might be in the West. Supermarkets in countries such as Egypt and Morocco generally

33 Interview, Cairo, September 2013

34 *Reuters.* (2011). "Egypt says Juhayna, others violate competition law."

have less choice than shops in the West and therefore there is less ability for consumers to discern. However there are exceptions to this. In 2019 Danone was subject to a boycott in Morocco on the basis that the company's prices were too high. The company incurred a loss of $13.5 million as a result and eventually the firm lowered its prices in response.[35] Other consumer boycotts have also taken place. Companies that are associated with the US have been subject to consumer boycotts in response to US support for Israel.

4. The politics of agribusiness

We have established the way in which the corporate food system is controlled by a handful of companies that have extensive market shares. This section reveals the manner in which the investments and acquisitions of these companies tend to rely on political connections. *These connections play a vital role in the operations of these companies as they assist with bureaucratic requirements.* Gulf and Western companies differ in terms of how they interact with Arab governments.

Gulf capital

Personal connections are key

Gulf agribusiness companies have close relationships with their own governments. This link is manifest in the ownership structure of these companies, which includes GCC government institutions and members of the ruling families of the region. *This relationship with the state has been intrinsic to the growth of Gulf agribusiness companies.* It has ensured access to capital and preferential treatment by state agencies. In addition to the lobbying power of their shareholders, the largest of these companies are also backed by the state on the basis that they are considered to play a role in the food security strategy

35 Pukas, A. (2019) "Danone Morocco Saga Highlights Enduring Role of Consumer Boycott" *Arab News*

of the Gulf countries. They also contribute to the effort to diversify the economy and reduce the dependence on oil. In terms of the foreign investments of these companies this special status is evident in the manner that they are often represented by the Gulf states in their interaction with other governments, both publicly and privately.

In the UAE emirate of Abu Dhabi, Al Dahra and Jenaan are clear examples of this characteristic. These firms are agribusiness conglomerates that are closely linked to the state. Al Dahra is owned by a member of the ruling family of Abu Dhabi and Jenaan has a deal to supply livestock feed to the Abu Dhabi government. They are both companies that are included within the food security strategy of the emirate. *This government support is cited as being a key means through which they can access markets elsewhere in the Arab region.* In an interview, an executive of Al Dahra said: "The most important thing is to have government support. This enables Jenaan to expand to other countries, such as Sudan or Egypt, and find the best way to invest there. We would not be able to go at this alone or play an important role in the food security plan without the government's support."[36]

Other examples of Gulf companies that benefit from a close relationship with the state are Savola and Al Marai. These companies have included shareholders who are Al-Saud princes, the ruling family of Saudi Arabia and also government pension funds. Support for these companies is manifest in cheap loans and subsidized inputs such as energy.

Gulf agribusiness companies also have close links to the governments of the states in which they invest. These ties exist formally and informally. Formally they are created by the official routes that allow foreign direct investment such as ministerial and institutional mechanisms. Both the Moroccan and

36 *The Business Year*. (2015) "Food Security."

Egyptian government actively promotes investment opportunities in the agribusiness sector to foreign companies. *Informal relations between companies and governments are potentially more important for market entry.* These ties are manifest in partnerships and backroom arrangements between these companies and connected local business people, government officials and members of the security forces. By their nature these arrangements are opaque and difficult to identify but they are a central factor in the success of market entry. They ensure that a company can navigate the bureaucracy and obtain the necessary approval and permits, as well as receive government subsidies and land allocations.

Research has revealed some of the details of these relationships. One case in Egypt is particularly instructive. The Egyptian supermarket sector has proven to be a difficult environment for foreign supermarkets and acquiring the necessary permits from ministries has been known to take years. As a result, a number of European and Western companies have failed in their attempts to access the Egyptian market. *In contrast, since the early 2000s large Gulf-owned supermarket brands such as Carrefour and Spinneys have operated successfully in Egypt.* A manager of a Gulf-owned supermarket chain explained how his company's operations were facilitated by its close relationship with the military: "I went to see the government with several issues that were blocked on a file and nothing was done. I went to see the military and everything was fixed after the first meeting. The army can do in one day what would normally take three months if you went through the standard channels."[37]

The manager gave specific details of the commercial relationship between his supermarket and the military. According to him, his company retailed electrical products (such as television sets) that are produced by the Arab Organization for Industrialization. As a result, he estimated his supermarket has created around EGP 11 million in annual revenue for the military due to the sale of its products.

37 Interview, Cairo, October 2013

Another example in Egypt underscored the significance of these types of arrangements. In an interview one manager of another Gulf-owned supermarket explained that obtaining land to build a new branch depended on access to former Egyptian President Hosni Mubarak. He said: "I was going to approach Mubarak and ask for subsidised land. We were not asking for prime land, but Mubarak was the key opener for these kinds of things. Nothing got done without Mubarak. We eventually got land at a subsidised price."[38] The manager said that regardless of the changes in government over the last five years, the nature of decision making within the bureaucracy depended on personal connections, and this was unlikely to change in the near future: "You have to be the right person to do business here. There is a lot of bureaucracy and you have to be the right person to deal with that. There is a circle of people who control everything and you see it in every company. They open the door because they have common interests with people in government."

The financial sector also provides a means of market entry

Another form of social relation that is significant for Gulf capital is the financial sector. Private equity and investment funds owned by influential local businesspeople provide a means for GCC investors to acquire assets in agribusiness companies. *These funds and the connections of their management provide a means for speculators to spread risk with other investors and access these markets.* Often these institutions have had close links to governments and have preferential treatment in terms of privatisations and access to state resources.

There are several examples of this type of structure in Egypt. Qalaa Capital is a private equity company based in Cairo and most of its capital comes from the Gulf states. Qalaa was founded by Ahmed Heikal, the son of Mohammed Heikal, a well known journalist who was an advisor to President Nasser.

38 Interview, Cairo, November 2013

Heikal is married to the daughter of Nabil El Araby, a former Egyptian foreign minister. *The combination of Gulf capital and local political influence creates lucrative opportunities.* In 2005 Qalaa and a consortium including Saudi food conglomerate Savola, bought Egyptian Fertilizers Company from the Egyptian state for $739 million. Two years later, the company was sold for $1.4 billion.[39] The deal was the biggest private equity deal to have taken place in the Arab region at that time.

Another example in Egypt is EFG Hermes, an Egyptian investment bank and private equity company, which includes a significant component of Gulf capital. EFG Hermes had considerable political clout, particularly during the Mubarak era. Gamal Mubarak, the son of President Hosni Mubarak, was a major investor in EFG and he was estimated to have owned 35% of EFG Hermes.[40] In 2006, EFG Hermes established a food and agribusiness fund, Horus, with capital from both European and Gulf investors. Another example of the role of financial markets in the ingress of Gulf capital is the Egyptian stock market. Gulf investors hold majority or minority stakes in around 15 of the 29 food and agriculture companies on the bourse.[41] (The Egyptian Exchange, 2016).

European capital

European capital relies on partnerships and joint ventures

In contrast to Gulf companies these multinationals are less reliant on the Arab region, which constitutes a smaller source of revenue than Gulf companies. For example French dairy company Danone obtains 40% of its revenue from the

39 Gara, T. (2011). “Egypt: The Revolution Continues.” *Financial Times*.

40 *EIPR*. (2016). “The Panama Papers: Investigation of Mubarak family companies in the British Virgin Islands is the culmination of civil society organizations efforts.”

41 *The Egyptian Exchange*. (2016). “All listed securities.”

Middle East, most of which is from North Africa.[42] A US company, Mondelēz, takes 20% of its revenue from the Middle East.[43]

European companies as well as other firms from North America are less reliant on informal channels than companies from the Gulf. This is most likely because these companies are concerned about the legal and reputational risks of these types of arrangements. The consequences of a direct relationship with a government official or the military is likely to deter these firms from such behaviour. *What is likely is that Western multinationals often seek to partner with Gulf companies and local companies on the basis that they can use their local knowledge and connections.* Indeed, one striking characteristic of the region's agribusiness sector is the manner in which the companies with some of the largest market shares have this configuration.

The following table reveals some examples of these types of relationships:

Gulf company	Western brand	Geographic presence
Americana (Kuwait)	KFC, Farm Frite, Heinz, Hardees, Pizza Hut, Costa Coffee and Baskin Robbins	Regional. Americana has 1556 outlets across the Arab region and Central Asia.
Almarai (Saudi Arabia)	Pepsico	Regional. GCC, Egypt and Jordan
Alshaya (Kuwait)	Starbucks	Regional and international. Middle East and North Africa, Russia, Poland and Kazakhstan
Olayan Group (Saudi Arabia)	Burger King, Kraft, Coca Cola	Regional. 400 outlets across the Middle East
Majid Al Futtaim (UAE)	Carrefour	Regional and international. 210 outlets in the Middle East and Asia

42 *Access to Nutrition.* (2020) "Danone."

43 *Access to Nutrition.* (2020) "Mondelez."

In addition to Western multinationals, a number of Western banks and development finance institutions have invested in agribusiness projects in the Arab region. Of particular significance is the European Bank of Reconstruction and Development's (EBRD) strategy in the region to "strengthen regional agribusiness value chains".[44] Egypt has been one major target for EBRD and the bank has given loans to nine agribusiness companies worth a total of US $ 390 million. In Morocco EBRD has given one loan in the agribusiness sector to Al Dahra, the UAE company - further evidence of the manner that the agribusiness sector in the Arab region is partly determined by the interlocking of Gulf and European capitals. In another example the International Finance Corporation (IFC), the private finance arm of the World Bank, funded a leasing service for Moroccan farmers.[45] The loan was part of a joint venture with a local Moroccan bank.

6. Recommendations

This report has illustrated some of the ways in which agribusiness food became entrenched in the Arab region. It has shown that the corporate food system has grown as a result of government support in the form of resource allocation and other types of support. What should be apparent from the characteristics that I have described here is that agribusiness in the region should be understood as a system. This is manifested in the monopoly market shares of the largest companies, which gives them considerable control over the market, both in terms of setting prices for products and the acquisition of supplies from smaller producers. Another feature of this region is the manner that the largest companies are closely connected. Gulf companies often partner with European and Western multinationals. Gulf agribusiness firms can leverage their relationships with

44 Zgheib, N. (2020) "EBRD strengthens regional agribusiness value chains" *European Bank of Reconstruction and Development*

45 International Finance Corporation (2018) "IFC and Groupe Crédit Agricole du Maroc Partner to Support Morocco's Farming Sector"

local officials and brokers while Western companies can bring brands technical expertise. Such relationships are also evident in financial institutions and private equity funds, in which foreign investors, mostly those from the Gulf states, can pool their capital into funds and have it managed by politically connected individuals. The benefits of these arrangements are evident in the manner that these funds have had access to the sale of state-owned food and agriculture assets.

How do the features that have been described here relate to policy discussions? Firstly the growth of the agribusiness system is associated with the increasing reliance on the free market for food and decreasing government support for the smallholder sector. These developments are at odds with food sovereignty in the region and it creates increasing vulnerability in the face of economic and ecological crises. Two cases highlight these risks. Firstly, the economic crisis in Lebanon has had a severe effect on the country's food security and the collapse in spending power shows the risk of reliance on the international market for food provisioning. It is estimated that as a result of the substantial fall in the value of the Lebanese lira, which is estimated to be worth 90% less than prior to the start of the crisis in 2010, imports of products such as fruit, dairy and eggs have fallen by half.[46] The World Food Program (WFP) estimates that food prices in Lebanon have witnessed a 109% increase.[47] This has led to rising levels of food insecurity in the country and attempts to boost internal production have been hampered by the need to import inputs such as fuel and fertiliser.

Another example of the risks of the corporate system are the avian flu outbreaks in Egypt. Avian flu is considered to be endemic to Egypt but large intensive poultry farms are considered to act as vectors for the disease.[48] Previous

46 *Reuters* (2020) "Lebanon Currency Drops to New Low as Financial Meltdown Deepens."

47 Berjawi, N. (2021) "Lebanon's Tumbling Currency Exacerbates Country's Food Insecurity" *Anadolu Agency*

48 Dixon, M. (2015) "Biosecurity and the multiplication of crises in the Egyptian agri-food industry" *Geoforum*

outbreaks, particularly one that took place in 2006, have resulted in government orders for major culls of Egyptian poultry, both in large farms and smallholder farms. These culls led to a reduction in biodiversity and were a risk to the indigenous Egyptian poultry breeds, who are better adapted to the local environmental conditions. In contrast, large poultry farms had the capital to quickly restock; as a result agribusiness companies came out of the crisis in a stronger position. The case of Avian flu in Egypt illustrates the risks of the expanding control that large intensive agribusiness have over the segments of food production. This will be particularly important in the future given that climate change and biodiversity loss will place further stress on intensive farming and raise the risks of disease and crop failure.

What is the state of activist movements that are opposed to the control of agribusiness companies? Opposition to agribusiness control is present in many Arab countries, however the space for activism is limited by the authoritarian and repressive nature of many governments. The contentions of small farmers were present in the Arab revolutions of 2011; following the removal of former Egyptian president Hosni Mubarak in 2011, around 700,000 farmers are estimated to have joined labour organisations that formed following the overthrow of Mubarak (Nour 2015, 204).[49] However the momentum of these movements has been curtailed as a result of the repression of the post revolution era. However there are also more subtle forms of resistance in the form of consumer boycotts; the example of the boycott of Danone in Morocco is an instructive case. Should foreign activists and policy makers wish to hold agribusiness companies operating in the Arab region to account, then there are several possible means for them to do this. Gulf and local companies are less likely to be swayed by lobbying and publicity. They are privately owned or listed on stock exchanges in the Gulf

49 Nour, S. 2015. "Small Farmers and the Revolution in Egypt: The Forgotten Actors." Contemporary Arab Affairs 8 (2): 198–21

states, and as a result there are less means to hold them accountable. A more fruitful strategy would be to lobby the multinational companies that have entered these markets. On the basis that they are headquartered in Europe and North America and are expected to have clearer social corporate responsibility policies it may make these companies more exposed to public lobbying. An alternative method would be to approach development finance banks that have capitalised agribusiness projects in the region. Many of these institutions, such as the EBRD, are state-owned and therefore have to be accountable to the public.